

VERNON TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MARCH 31, 2008

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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MARCH 31, 2008

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Baird, Cotter and Bishop, P.C.

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July 7, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Isabella County, Clare, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Isabella County, Clare, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon Township, Isabella County, Clare, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Vernon Township, a general law township located in Isabella County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Vernon Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$304,516. Of this amount, \$169,403 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$269,896. About 62.77% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$304,516 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Vernon Township
Net Assets as of March 31, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 288,420
Non Current Assets	
Capital Assets	39,247
Less: Accumulated Depreciation	<u>(4,627)</u>
 Total Non Current Assets	 <u>34,620</u>
 Total Assets	 <u><u>\$ 323,040</u></u>
 Liabilities	
Other Liabilities	<u>\$ 18,524</u>
 Net Assets	
Invested in Capital Assets	34,620
Restricted for Specific Purposes	100,493
Unrestricted	<u>169,403</u>
 Total Net Assets	 <u>304,516</u>
 Total Liabilities and Net Assets	 <u><u>\$ 323,040</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$169,403 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$49,360 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Vernon Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2008

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,028
Operating Grants and Contributions	14,108
General Revenues	
Property Taxes	123,518
State Grants	91,499
Investment Earnings	8,842
Other	<u>294</u>
Total Revenues	<u>242,289</u>
<u>Expenses</u>	
Legislative	3,738
General Government	54,458
Public Safety	37,346
Public Works	86,357
Other Functions	<u>11,030</u>
Total Expenses	<u>192,929</u>
Change in Net Assets	49,360
<u>NET ASSETS</u> - Beginning of Year	<u>255,156</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 304,516</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$49,360 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Vernon Township comes from property taxes and special assessments. The Township levied 0.9657 mills for operating purposes. The Township also levied a special assessment for Garbage and Rubbish Collection and for Street Lighting.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2008, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public works expenses that total 44.76% of total expenses. The Township spent \$86,357 in fiscal year 2008 on Public Works expenses. General Government represented the next largest expense at \$54,458, or 28.23% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$43,219. Depreciation expense added \$2,030 in General Government and \$565 in Public Works.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Vernon Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Vernon Township's governmental funds reported combined ending fund balances of \$269,896. Approximately 62.77%, or \$169,403 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for cemetery perpetual care must be used for expenditures that relate to cemetery care.

General Fund – The General Fund increased its fund balance by \$24,035 which brings the fund balance to \$169,403. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures at or below budgeted amounts. Property taxes amounted to \$42,657. State shared revenues were collected in the amount of \$95,607.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Street Lighting Fund – The Street Lighting Fund increased its fund balance by \$50 which brings the fund balance to \$1,201. This balance is reserved and must be used for street lighting. Special assessments collected amounted to \$1,301.

Garbage and Rubbish Collection Fund – The Garbage and Rubbish Collection Fund balance increased its fund balance by \$2,566 which brings the fund balance to \$71,557. This balance is reserved and must be used for garbage and rubbish collection. Special assessments collected amounted to \$79,560.

Cemetery Perpetual Care Fund – The Cemetery Perpetual Care Fund balance increased its fund balance by \$1,611 which brings the fund balance to \$27,735. This balance is reserved and must be used for cemetery operations.

Proprietary Fund – The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$34,620 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities
Land	\$ 3
Buildings	1
Land Improvements	1,100
Equipment	15,550
Infrastructure	22,593
	<hr/> 39,247
Less Accumulated Depreciation	<hr/> (4,627)
Net Capital Assets	<hr/> <hr/> \$ 34,620

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Major capital asset events during the current fiscal year included the following:

- Began a project to install a new sign. So far \$1,100 has been expended with another \$1,100 expected to be expended once the project is complete.
- Projects were completed on McFarland Road and Stevenson Lake Road at a cost of \$22,593.

Long-Term Debt. Vernon Township has no obligation for any long-term debt as of March 31, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Vernon Township at 8191 N. Crawford Road, Clare, Michigan 48617.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 267,047
Receivables	
External Parties (Fiduciary Funds)	15
Due from Other Governments	<u>21,358</u>
Total Current Assets	<u>288,420</u>
<u>CAPITAL ASSETS</u>	
Land	3
Buildings	1
Land Improvements	1,100
Equipment	15,550
Infrastructure	<u>22,593</u>
	39,247
Less Accumulated Depreciation	<u>(4,627)</u>
Net Capital Assets	<u>34,620</u>
TOTAL ASSETS	<u><u>\$ 323,040</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 17,989
Payroll Taxes and Withholdings	<u>535</u>
Total Liabilities	<u>18,524</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	34,620
Restricted for Street Lighting	1,201
Restricted for Garbage and Rubbish Collection	71,557
Restricted for Cemetery Perpetual Care	27,735
Unrestricted	<u>169,403</u>
TOTAL NET ASSETS	<u><u>\$ 304,516</u></u>

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 3,738	\$ 0	\$ 0	\$ 0	\$ (3,738)
General Government	54,458	4,028	0	0	(50,430)
Public Safety	37,346	0	0	0	(37,346)
Public Works	86,357	0	14,108	0	(72,249)
Other Functions	11,030	0	0	0	(11,030)
Total Governmental Activities	\$ 192,929	\$ 4,028	\$ 14,108	\$ 0	(174,793)
<u>GENERAL REVENUES</u>					
Property Taxes					123,518
State Grants					91,499
Investment Earnings					8,842
Other					294
Total General Revenues					224,153
Change in Net Assets					49,360
<u>NET ASSETS</u> - Beginning of Year					255,156
<u>NET ASSETS</u> - End of Year					\$ 304,516

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	GENERAL FUND	STREET LIGHTING FUND	GARBAGE AND RUBBISH COLLECTION FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 159,754	\$ 1,308	\$ 78,250	\$ 27,735	\$ 267,047
Due From Other Governments	21,358	0	0	0	21,358
Due From Other Funds	15	0	0	0	15
Total Assets	<u>\$ 181,127</u>	<u>\$ 1,308</u>	<u>\$ 78,250</u>	<u>\$ 27,735</u>	<u>\$ 288,420</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 11,189	\$ 107	\$ 6,693	\$ 0	\$ 17,989
Payroll Taxes and Withholdings	535	0	0	0	535
Total Liabilities	<u>11,724</u>	<u>107</u>	<u>6,693</u>	<u>0</u>	<u>18,524</u>
 <u>FUND BALANCE</u>					
Reserved for:					
Street Lighting	0	1,201	0	0	1,201
Garbage and Rubbish Collection	0	0	71,557	0	71,557
Cemetery Perpetual Care	0	0	0	27,735	27,735
Unreserved					
Undesignated	169,403	0	0	0	169,403
Total Fund Balance	<u>169,403</u>	<u>1,201</u>	<u>71,557</u>	<u>27,735</u>	<u>269,896</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 181,127</u>	 <u>\$ 1,308</u>	 <u>\$ 78,250</u>	 <u>\$ 27,735</u>	 <u>\$ 288,420</u>

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$	269,896
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	3	
Buildings		1	
Land Improvements		1,100	
Equipment		15,550	
Infrastructure		22,593	
Accumulated Depreciation		(4,627)	34,620

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	304,516

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	STREET LIGHTING FUND	GARBAGE AND RUBBISH COLLECTION FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 42,657	\$ 1,301	\$ 79,560	\$ 0	\$ 123,518
Licenses and Permits	1,078	0	0	0	1,078
State Grants	95,607	0	0	0	95,607
Contributions from Local Units	10,000	0	0	0	10,000
Charges for Services	2,500	0	0	450	2,950
Interest and Rents	7,681	0	0	1,161	8,842
Other Revenues	294	0	0	0	294
Total Revenues	159,817	1,301	79,560	1,611	242,289
<u>EXPENDITURES</u>					
Legislative	3,738	0	0	0	3,738
General Government	53,528	0	0	0	53,528
Public Safety	37,346	0	0	0	37,346
Public Works	30,140	1,251	76,994	0	108,385
Other Functions	11,030	0	0	0	11,030
Total Expenditures	135,782	1,251	76,994	0	214,027
Net Change in Fund Balance	24,035	50	2,566	1,611	28,262
<u>FUND BALANCE</u> - Beginning of Year	145,368	1,151	68,991	26,124	241,634
<u>FUND BALANCE</u> - End of Year	\$ 169,403	\$ 1,201	\$ 71,557	\$ 27,735	\$ 269,896

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net change in Fund Balance - Total Governmental Funds	\$ 28,262
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(2,595)
Capital Outlay	<u>23,693</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 49,360</u>
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The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 15</u>
<u>LIABILITIES</u>	
Due to Other Funds	<u>\$ 15</u>

The accompanying notes are an integral part of the financial statements.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Vernon Township is a general law township located in Isabella County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Vernon Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Lighting Fund* accounts for revenue sources from special assessments that are legally restricted to expenditures related to street lighting.

The *Garbage and Rubbish Collection Fund* accounts for revenue sources from special assessments that are legally restricted to expenditures for garbage and rubbish collection.

The *Cemetery Perpetual Care Fund* accounts for receipts from the sale of cemetery lots, the principal of which is an endowment, and the interest earnings are used for cemetery operations.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Additionally, Vernon Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or three months or less from date of acquisition.

The investment policy adopted by the Township states that the Vernon Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Certificates of Deposit
- b. Checking accounts
- c. Money market accounts

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Vernon Township totaled \$37,146,317, on which ad valorem taxes levied consisted of 0.9657 mills for Vernon Township operating purposes. The levy raised approximately \$35,530 for operating purposes. The Township also levied a special assessment for Garbage and Rubbish Collection and for Street Lighting.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as required.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
Land improvements	20
Vehicles	10
Equipment and Furniture	5-10

Vernon Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on April 2, 2007, or as amended by the Township Board from time to time throughout the year.

B. *Funds with Expenditures in Excess of Appropriations were as follows:*

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Special Revenue Funds			
Street Lighting Fund	\$ 0	\$	1,251
Garbage and Rubbish Collection Fund	0		76,994

These overages were funded by greater than anticipated revenues and available fund balance. Budgets were not adopted for the 2007-2008 fiscal year for the Street Lighting Fund or Garbage and Rubbish Collection Fund.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are on deposit with Chemical Bank in Clare, Michigan, First Bank in Mt. Pleasant, Michigan and Isabella Bank and Trust in Mt. Pleasant, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the government's bank balance of \$269,781, \$20,442 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Due from Other Governments	\$ <u>21,358</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 3	\$ 0	\$ 0	\$ 3
Capital assets, being depreciated				
Buildings	1	0	0	1
Land Improvements	0	1,100	0	1,100
Equipment	15,550	0	0	15,550
Infrastructure	0	22,593	0	22,593
Total capital assets, being depreciated	<u>15,551</u>	<u>23,693</u>	<u>0</u>	<u>39,244</u>
Less accumulated depreciation for:				
Buildings	1	0	0	1
Land Improvements	0	0	0	0
Equipment	2,031	2,030	0	4,061
Infrastructure	0	565	0	565
Total accumulated depreciation	<u>2,032</u>	<u>2,595</u>	<u>0</u>	<u>4,627</u>
Total Capital assets, being depreciated, net	<u>13,519</u>	<u>21,098</u>	<u>0</u>	<u>34,617</u>
Governmental activities capital assets, net	<u>\$ 13,522</u>	<u>\$ 21,098</u>	<u>\$ 0</u>	<u>\$ 34,620</u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 2,030
Public Works	565
	<u>\$ 2,595</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 15	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	15
	<u>\$ 15</u>	<u>\$ 15</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Township has no interfund transfers.

E. Long-Term Debt

At March 31, 2008, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Street Lighting Fund	
Street Lighting	\$ 1,201
Garbage and Rubbish Collection Fund	
Garbage and Rubbish Collection	71,557
Cemetery Perpetual Care Fund	
Cemetery Perpetual Care	27,735
TOTAL FUND BALANCE/NET ASSETS RESERVES	<u><u>\$ 100,493</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with John Hancock Life Insurance Company which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement age is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township contributions to the plan are based on a graduated scale based on the level of compensation.

Township contributions to the plan for 2007-2008 amounted to \$5,468. In addition the Township paid \$727 in account service fees.

Total wages for those covered under the plan was \$27,341 and total wages for all employees including noncovered payroll was \$28,478.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Fire Protection Contracts

An agreement was entered into between the City of Clare and the Township for fire protection. The agreements terms call for the Township to pay each year an amount equal to 0.9000 mill of taxable valuation of all property in the area covered by the agreement. During the fiscal year April 1, 2007 to March 31, 2008 the Township paid expense totaling \$27,654.

The Township also has an agreement for fire protection for a portion of the Township with the Isabella N.E. Fire District. The amount paid under this agreement for the 2007-2008 year was \$9,692.

D. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee for the summer tax rolls on all ad valorem, taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

E. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Isabella County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$3,240 for general operating tax revenues and for street lighting, and \$10,270 for garbage collection. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND			STREET LIGHTING FUND			GARBAGE AND RUBBISH COLLECTION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 37,500	\$ 37,500	\$ 42,657	\$ 0	\$ 0	\$ 1,301	\$ 0	\$ 0	\$ 79,560
Licenses and Permits	2,300	2,300	1,078						
State Grants	95,772	95,772	95,607	0	0	0	0	0	0
Contributions from Local Units	0	0	10,000	0	0	0	0	0	0
Charges for Services	2,500	2,500	2,500	0	0	0	0	0	0
Interest and Rents	6,000	6,000	7,681	0	0	0	0	0	0
Other Revenues	1,250	1,250	294	0	0	0	0	0	0
Total Revenues	145,322	145,322	159,817	0	0	1,301	0	0	79,560
<u>EXPENDITURES</u>									
Legislative									
Township Board	5,279	3,738	3,738	0	0	0	0	0	0
General Government									
Supervisor	10,254	9,141	9,141	0	0	0	0	0	0
Election	3,000	1,528	1,528	0	0	0	0	0	0
Assessor	15,309	11,440	11,440	0	0	0	0	0	0
Clerk	12,154	10,709	10,709	0	0	0	0	0	0
Board of Review	1,500	1,553	1,553	0	0	0	0	0	0
Treasurer	12,054	11,496	11,496	0	0	0	0	0	0
Building and Grounds	10,000	2,472	2,472	0	0	0	0	0	0
Cemetery	5,000	5,189	5,189	0	0	0	0	0	0
Public Safety	33,293	37,346	37,346	0	0	0	0	0	0
Public Works	37,250	30,140	30,140	0	0	1,251	0	0	76,994
Other Functions	14,050	11,030	11,030	0	0	0	0	0	0
Total Expenditures	159,143	135,782	135,782	0	0	1,251	0	0	76,994
Net Change in Fund Balance	(13,821)	9,540	24,035	0	0	50	0	0	2,566
<u>FUND BALANCE</u> - Beginning of Year	133,919	133,919	145,368	0	0	1,151	0	0	68,991
<u>FUND BALANCE</u> - End of Year	\$ 120,098	\$ 143,459	\$ 169,403	\$ 0	\$ 0	\$ 1,201	\$ 0	\$ 0	\$ 71,557

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 159,754
Due From Tax Fund	15
Due From Other Government	<u>21,358</u>
 TOTAL ASSETS	 <u><u>\$ 181,127</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 11,189
Payroll Withholdings	<u>535</u>
 Total Liabilities	 <u>11,724</u>

FUND BALANCE

Balance	
Unreserved	
Undesignated	<u>169,403</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 181,127</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 37,500	\$ 37,500	\$ 42,657
Licenses and Permits	2,300	2,300	1,078
State Grants	95,772	95,772	95,607
Contributions from Local Units	0	0	10,000
Charges for Services	2,500	2,500	2,500
Interest and Rents	6,000	6,000	7,681
Other Revenues	1,250	1,250	294
Total Revenues	145,322	145,322	159,817
<u>EXPENDITURES</u>			
Legislative			
Township Board	5,279	3,738	3,738
General Government			
Supervisor	10,254	9,141	9,141
Election	3,000	1,528	1,528
Assessor	15,309	11,440	11,440
Clerk	12,154	10,709	10,709
Board of Review	1,500	1,553	1,553
Treasurer	12,054	11,496	11,496
Building and Grounds	10,000	2,472	2,472
Cemetery	5,000	5,189	5,189
Public Safety	33,293	37,346	37,346
Public Works	37,250	30,140	30,140
Other Functions	14,050	11,030	11,030
Total Expenditures	159,143	135,782	135,782
Excess (Deficiency) of Revenues Over Expenditures	(13,821)	9,540	24,035
<u>FUND BALANCE</u> - Beginning of Year	133,919	133,919	145,368
<u>FUND BALANCE</u> - End of Year	\$ 120,098	\$ 143,459	\$ 169,403

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2008

		<u>STREET LIGHTING</u>	<u>GARBAGE AND RUBBISH COLLECTION</u>	<u>TOTAL</u>
	<u>ASSETS</u>			
Cash		\$ 1,308	\$ 78,250	\$ 79,558
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable		\$ 107	\$ 6,693	\$ 6,800
<u>FUND BALANCE</u>				
Reserved for Street Lighting		1,201	0	1,201
Reserved for Garbage and Rubbish Collection		0	71,557	71,557
Total Fund Balance		1,201	71,557	72,758
TOTAL LIABILITIES AND FUND BALANCE		\$ 1,308	\$ 78,250	\$ 79,558

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2008

	STREET LIGHTING	GARBAGE AND RUBBISH COLLECTION	TOTAL
<u>REVENUES</u>			
Taxes	\$ 1,301	\$ 79,560	\$ 80,861
<u>EXPENDITURES</u>			
Public Works	1,251	76,994	78,245
Excess (Deficiency) of Revenues Over Expenditures	50	2,566	2,616
<u>FUND BALANCE</u> - Beginning of Year	1,151	68,991	70,142
<u>FUND BALANCE</u> - End of Year	\$ 1,201	\$ 71,557	\$ 72,758

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STREET LIGHTING FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	<u>\$ 1,308</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 107
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FUND BALANCE

Reserved for Street Lighting	<u>1,201</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,308</u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2008

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	
Current Property Tax	\$ 1,301
<u>EXPENDITURES</u>	
Public Works	
Street Lighting	
Other Services and Charges	
Public Utilities	<u>1,251</u>
Excess (Deficiency) of Revenues	
Over Expenditures	50
<u>FUND BALANCE</u> - Beginning of Year	<u>1,151</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 1,201</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	<u>\$ 78,250</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,693
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FUND BALANCE

Reserved for Garbage and Rubbish Collection	<u>71,557</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 78,250</u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	
Current Property Taxes	\$ 79,560
<u>EXPENDITURES</u>	
Public Works	
Sanitation	
Other Services and Charges	
Contracted Waste Pickup	<u>76,994</u>
Excess (Deficiency) of Revenues Over Expenditures	2,566
<u>FUND BALANCE</u> - Beginning of Year	<u>68,991</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 71,557</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CEMETERY PERPETUAL CARE FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	<u>\$ 27,735</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Reserved for Cemetery Perpetual Care	<u>27,735</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 27,735</u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CEMETERY PERPETUAL CARE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Charges for Services	
Cemetery Lot Sales	\$ 450
Interest and Rents	
Interest Earnings	<u>1,161</u>
 Total Revenues	 1,611

EXPENDITURES

Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>
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<u>FUND BALANCE</u> - Beginning of Year	<u>26,124</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 27,735</u></u>
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VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 15	\$ 1,099,224	\$ 1,099,224	\$ 15
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	15	121,162	121,162	15
Due to Other Organizations and Individuals	0	2,058	2,058	0
Due to Other Governments	0	976,004	976,004	0
<hr/>				
Total Liabilities	\$ 15	\$ 1,099,224	\$ 1,099,224	\$ 15
<hr/>				

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF 2007 SUMMER TAX ROLL
MARCH 31, 2008

TAXES ASSESSED

County	\$ 239,728	
County - State Education Tax	<u>222,314</u>	\$ 462,042

TAXES COLLECTED

County	222,224	
County - State Education Tax	<u>205,569</u>	<u>427,793</u>

TAXES RETURNED DELINQUENT

County	17,504	
County - State Education Tax	<u>16,745</u>	<u><u>\$ 34,249</u></u>

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF 2007 WINTER TAX ROLL
MARCH 31, 2008

TAXES ASSESSED

County	\$	102,964	
Township			
Operating		35,530	
Street Lighting		1,301	
Garbage and Rubbish Collection		79,560	
Schools			
Beal City Public Schools		954	
Clare Public Schools		225,582	
Farwell Area Schools		21,193	
Mt. Pleasant Public Schools		45,911	
Intermediate School			
Gratiot Isabella Intermediate		25,765	
Clare Gladwin Intermediate		62,783	
Community College			
Mid Michigan Community College		37,764	
Library			
Pere Marquette District Library		30,708	
Chippewa River District Library		9,898	\$ 679,913

TAXES COLLECTED

County	89,516		
Township			
Operating	32,282		
Street Lighting	1,142		
Garbage and Rubbish Collection	69,290		
Schools			
Beal City Public Schools	954		
Clare Public Schools	205,749		
Farwell Area Schools	20,530		
Mt. Pleasant Public Schools	40,321		
Intermediate School			
Gratiot Isabella Intermediate	22,403		
Clare Gladwin Intermediate	57,160		
Community College			
Mid Michigan Community College	34,390		
Library			
Pere Marquette District Library	27,969		
Chippewa River District Library	8,579	610,285	

VERNON TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF 2007 WINTER TAX ROLL
MARCH 31, 2008

TAXES RETURNED DELINQUENT

County	13,448	
Township		
Operating	3,248	
Street Lighting	159	
Garbage and Rubbish Collection	10,270	
Schools		
Beal City Public Schools	0	
Clare Public Schools	19,833	
Farwell Area Schools	663	
Mt. Pleasant Public Schools	5,590	
Intermediate School		
Gratiot Isabella Intermediate	3,362	
Clare Gladwin Intermediate	5,623	
Community College		
Mid Michigan Community College	3,374	
Library		
Pere Marquette District Library	2,739	
Chippewa River District Library	1,319	\$ 69,628

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

July 7, 2008

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township, Isabella County, Clare, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Vernon Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 7, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Vernon Township
Isabella County
Clare, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vernon Township for the year ended March 31, 2008, and has issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Vernon Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Vernon Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Property Tax Administration Fee

As reported in Note IV.E of the Notes to Financial Statements, the township is charging a 1% property tax administration fee. The township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Budgeting

In order to comply with P.A. 621, the Township should adopt separate budgets for all funds including the special revenue funds (street lighting and garbage and rubbish collection). Also, all budgets should be adopted prior to the start of the Township's fiscal year.

Computerized Recordkeeping

In reviewing the Townships computerized records, we noted that the General Fund, Street Lighting Fund and Garbage Collection Fund are all in the same QuickBooks company. We recommend that each fund be tracked individually in separate QuickBooks companies. Please contact us should the Township desire assistance with setting up the separate QuickBooks companies.

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BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.